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Labour hire workers methodology

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Introduction

Labour hire work is an aspect of the Australian labour market that has been of increasing interest over recent years. This release provides a time series of ABS headline estimates of the number of people employed in Labour supply services, supplemented by a range of socio-demographic and employment characteristics of labour hire workers. This release brings together data from three existing ABS sources of information providing complementary insights into labour hire work.

The respective methodology pages for the individual sources provide descriptions of the methods used to compile the statistics that this release draws on, and the range of data available from these sources. See:

- [Labour Account Australia, Methodology \(/methodologies/labour-account-australia-methodology/jun-2023\)](#)
- [Jobs in Australia, Methodology \(https://www.abs.gov.au/methodologies/jobs-australia-methodology/2020-21-financial-year\)](#)
- [Characteristics of Employment, Methodology \(https://www.abs.gov.au/methodologies/characteristics-employment-australia-methodology/aug-2022\)](#)

Concepts

Labour hire work is characterised by a third-party arrangement, where there is:

- an employment relationship between an individual employee and a labour hire firm, and
- a commercial arrangement between the labour hire firm and another business for the supply of the individual employee's labour, for a fee.

The labour hire firm then pays the individual employee (the labour hire worker) their wage or salary. Labour hire workers are employees of a labour hire firm, rather than the firm that they are providing their labour to.

The multi-party nature of labour hire work makes it one of the more challenging arrangements to produce statistics on, compared with the more common employer-employee relationships and self-employment.

Business providing 'labour hire' employees

Businesses that provide labour hire services, and their employees, are classified to the [ANZSIC \(/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0\)](https://www.abs.gov.au/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0) 4-digit industry class of 'Labour supply services' (ANZSIC 7212). Labour supply services are in ANZSIC Division N (Administrative and support services), Subdivision 72 (Administrative services), Group 721 (Employment services). Businesses in Labour supply services are mainly engaged in supplying their own employees to clients' businesses on a fee or contract basis. Assignments are usually temporary and performed under the supervision of staff of the client unit, at the client's work site.

Labour within businesses in the Labour supply services industry is different to most businesses, given the main activity is the provision of labour as a service to other businesses, rather than the use of labour within the business to produce goods and/or services.

While labour hire workers are employed in the Labour supply services industry, not all people working in Labour supply services are labour hire workers. This is because there are a small number of 'direct' employees of the labour hire firms that are also included within Labour supply services (e.g. administrative, managerial and support staff who work within the business itself, rather than provide contracted labour services through a third-party arrangement). This small number of direct employees in the industry cannot be separately identified in any available data, so are included within the estimates of labour hire workers in this release.

Business providing recruitment services

There are also businesses (often referred to as 'employment agencies') that are mainly engaged in listing employment vacancies and referring or placing (recruiting) applicants for employment with another business. The services are provided to either employers or potential employees, and include the formulation of job descriptions, the screening and testing of applicants and the investigation of references. Also included in this class are units that provide executive search services. These businesses (and their direct employees) are classified to ANZSIC 7211 ('Employment placement and recruitment services').

People with labour hire related working arrangements

People can have a number of differing relationships with labour hire firms, including:

- being registered with a labour hire firm
- having found their job through a labour hire firm
- for those who found their job through a labour hire firm, being paid by the labour hire firm

There are also people who found their job through a labour hire firm, but are not paid by the labour hire firm (e.g. through a business providing a recruitment service). These people are not employees of the labour hire firm, and are not employed in Labour supply services.

Sources of labour hire data

There are three ABS data sources that provide complementary information relevant to understanding labour hire work:

- [Labour Account Australia \(https://www.abs.gov.au/statistics/labour/labour-accounts/labour-account-australia/jun-2023\)](https://www.abs.gov.au/statistics/labour/labour-accounts/labour-account-australia/jun-2023) – the [best ABS source of overall industry employment and jobs levels \(/statistics/understanding-statistics/guide-labour-statistics/industry-employment-guide\)](https://www.abs.gov.au/statistics/understanding-statistics/guide-labour-statistics/industry-employment-guide). Standard Labour Account outputs are available at the industry division (1-digit) level and the sub-division (2-digit) level on a quarterly basis.
- [Jobs in Australia \(https://www.abs.gov.au/statistics/labour/jobs/jobs-australia/2020-21-financial-year\)](https://www.abs.gov.au/statistics/labour/jobs/jobs-australia/2020-21-financial-year) (JIA) – estimates of the number and selected characteristics of people employed by businesses in the labour supply services industry (ANZSIC 7212) based on personal income tax data available from the Linked Employer-Employee Dataset (LEED).
- [Characteristics of Employment \(https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/characteristics-employment-australia/aug-2022\)](https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/characteristics-employment-australia/aug-2022) (COE) survey – collects information from Labour Force Survey respondents on aspects of labour hire work as a working arrangement, and a range of information on people's other working arrangements and socio-demographic and employment characteristics.

Each of these sources has relative strengths and limitations, and no one source can provide

all insights about labour hire work. For instance:

- Standard Labour Account outputs are available at the industry division (1-digit) level and the sub-division (2-digit) level on a quarterly basis.
- JIA has detailed industry estimates, but the latest available data are generally lagged by about 2 years due to the time for taxation data to be finalised. It also has limited information on working arrangements, and socio-demographic and employment characteristics.
- COE has limitations around collecting information about potentially complex employment and payment arrangements from individuals in a household survey. COE also uses an Any Responsible Adult (ARA) methodology, where one person in a household answers question on behalf of all people in the household, and they may not be aware of other household members' employment and/or payment arrangements. As with the Labour Force Survey, this is also reflected in how well household survey respondents interpret questions around the industry they are employed in, compared to where their work activity occurs, which particularly affects the Administrative and support services industry and the Labour supply services industry. See the [Industry employment guide \(/statistics/understanding-statistics/guide-labour-statistics/industry-employment-guide\)](/statistics/understanding-statistics/guide-labour-statistics/industry-employment-guide) for more information.

Reconciling the sources of labour hire data

During 2022, the ABS undertook detailed analysis of these three data sources, to:

- better understand differences between the industry insights from the Labour Account and JIA and the number of people reporting they were employed under labour hire arrangements in their main job in COE
- provide clear guidance on how each of these sources are best used to understand dimensions of labour hire work
- produce a headline level estimate of the prevalence of labour hire work, supported by information to help understand the characteristics and circumstances of labour hire workers

Measuring the prevalence of labour hire work in the Labour Account

The Labour Account provides an established framework for reconciling multiple data sources to produce high quality aggregate estimates.

Given the relative strengths and limitations of each of the sources, the complexity of labour hire working arrangements, and the need to provide a definitive estimate of the prevalence of labour hire work, this release includes Labour Account estimates of the number of people employed in the Labour supply services industry (i.e. the 4-digit ANZSIC 7212).

This approach provides the most robust and contemporary ABS estimate of the Labour supply services industry, as it:

- draws on the strengths of the Labour Account industry data, where high-level industry estimates are derived through balancing information obtained from businesses and household surveys
- uses Labour Account 2-digit 'Administrative services' data as a robust high-level benchmark to estimate the 4-digit Labour supply services series
- makes use of data from Jobs in Australia, which is a standard input in the Labour Account compilation process. This includes using the Jobs in Australia data to produce point-in-time estimates rather than through-the-entire-year annual measures (the latter of which for the Labour supply services industry is generally around double the former)
- provides up-to-date estimates of Labour supply services, without the 2-year time lag of Jobs in Australia, which is reliant on the timing of personal income tax lodgements
- avoids the undercount associated with collecting labour hire information in a household survey (if limited to those reporting they were paid by a labour hire firm) or overcount (if only registration with, or finding job through a labour hire firm is considered, without regard to payment)

Method used to produce Labour Account-based estimates of employment in Labour supply services

Labour Account data are generally not produced beyond the sub-division (2-digit) industry level, however it is possible to model 4-digit level estimates in the Labour Account using data from the Linked Employer-Employee Dataset (LEED). The LEED is based on income taxation data, which the ABS receives from the Australia Taxation Office (ATO). LEED is the data source for Jobs in Australia.

The 4-digit industry class '7212 Labour supply services' in Labour Account is modelled by observing the proportion of the 2-digit industry sub-division '72 Administrative services' made up by Labour supply services in the LEED data. LEED contains a comprehensive suite of industry data including data at the 4-digit level and 2-digit level for every financial year.

The modelling of the Labour supply services industry in Labour Account uses unpublished quarterly series of the LEED data. From this series, the proportion of Labour supply services within the 2-digit Administrative services is calculated for every quarter. These proportions are applied to the corresponding quarterly 2-digit sub-division data in Labour Account (also unpublished) to model the 4-digit industry class Labour Account data.

As the income tax data is received from the ATO data approximately 16 months after the end of each financial year, the latest available LEED-based data on the Labour supply services industry is for the 2020-21 financial year. As a result, for the period September 2021

to June 2023, where no LEED data is available, the latest available quarterly proportions are used.

LEED data are also not available prior to the 2011-12 financial year. As a result, LEED data on the Labour supply services industry are backcast for the period September 1994 to June 2011 (based on the relationship between 2-digit and 4-digit industry in the 2011-12 LEED).

Understanding the characteristics of labour hire workers

While overall estimates of the number of labour hire workers (people employed in Labour supply services) from Jobs in Australia and Characteristics of Employment are not directly used in this release, these sources do provide useful information to better understand the socio-demographic characteristics and employment circumstances of labour hire workers.

These characteristics provide important context to the Labour Account-based modelled estimates of overall employment in labour supply services. The compositional breakdowns of key characteristics are sourced from the tax-data based Jobs in Australia (such as sex, age, occupation and earnings), supplemented by other characteristics that are only available from the household survey-based Characteristics of Employment survey (such as hours worked, country of birth, casual status, and job stability).

The Characteristics of Employment (COE) survey collects characteristics related to labour hire work (work in Labour supply services). These include:

- employees who were registered with a labour hire firm (for people who are currently employed)
- employees who found their current job through a labour hire firm
- employees who found their current job through a labour hire firms, and were paid by the labour hire firm (defined as a 'labour hire worker' in COE)